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Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 EB-07 COME-00 OPIC-03 TRSE-00

OMB-01 CIEP-01 XMB-02 EUR-12 CIAE-00 DODE-00 PM-03

H-01 INR-07 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01

SP-02 SS-15 USIA-06 CEA-01 STR-01 /088 W
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R 241211Z JAN 75
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 9642

C O N F I D E N T I A L BUENOS AIRES 0535

E.O. 11652: GDS
TAGS: EFIN, EGEN, AR
SUBJECT: GOMEZ MORALES VISIT; LOCAL REACTION AND SOME INITIAL REFLECTIONS

REF BA 479

1. WE ATTRIBUTE CONSIDERABLE IMPORTANCE TO GOMEZ MORALES VISIT, ESPECIALLY SINCE IT WAS HIS FIRST TRIP TO US SINCE BECOMING ECONOMY MINISTER. LOCAL REACTION HERE HAS BEEN VERY FAVORABLE AND WE BELIEVE ON BALANCE THAT VISIT WAS OUTSTANDING SUCCESS. WASHINGTON TURNOUT FOR GOMEZ MORALES WAS EXCELLENT AND GREATLY APPRECIATED BY EMBASSY AND BY GOA. IT HAS MADE EXTREMELY FAVORABLE IMPRESSION HERE, BOTH WITH GENERAL PUBLIC AND OUR OFFICIAL CONTACTS.

2. AT TIME OF VISIT, GOMEZ MORALES HAD BEEN IN POWER APPROXIMATELY THREE MONTHS, MAINTAINING RELATIVELY LOW PROFILE AND QUITELY SEEKING IMPLEMENT NECESSARY ECONOMIC ADJUSTMENTS. IN FIRST MAJOR EXTERNAL PERFORMANCE, WE BELIEVE HE HAS SKILLFULLY RE-ORIENTED DIRECTION ARGENTINE ECONOMIC POLICY TOWARD US AND HELPED ESTABLISH BASIS FOR IMPROVED ECONOMIC COOPERATION. REALISTIC SPEECH GIVEN TO COUNCIL OF AMERICAS, GENERALLY HELPFUL ATTITUDE ON TRADE BILL AMIDST CHORUS PROTEST FROM OTHER LATIN COUNTRIES,
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AND REPORTEDLY CONSTRUCTIVE CONVERSATIONS HELD WITH US FIRMS HAVING

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PROBLEMS IN ARGENTINA(ITT, EXXON, CHASE, ETC.) SUPPORT THIS CONCLU-
SION. THIS SHIFT TOWARD UNITED STATES IN MARKED CONTRAST TO POLICY
OF HIS PREDECESSOR, JOSE BER GELBARD, WHO SOUGHT CLOSER TIES
WITH SOVIET UNION AND EASTERN BLOC.

3. IN ADDITION TO ATTENDING IMF MEETINGS, IMPORTANT OBJECTIVES
OF GOMEZ MORALES VISIT WERE TO PRESENT AN OPTIMISTIC OUTLOOK
FOR ARGENTINE ECONOMY, TO MINIMIZE THREAT FROM TERRORIST VIOLENCE
WHICH HE THOUGHT BADLY DISTORTED IN US PRESS, AND TO SUGGEST
PICTURE OF COUNTRY MAKING PROGRESS UNDER CONSTITUTIONAL GOVERNMENT.
HIS SUCCESS IN FULFILLING THESE OBJECTIVES BEST JUDGED BY WASHINGTON,
BUT WE RECEIVING VERY FAVORABLE COMMENTS FROM CONTACTS HERE.
IN FACT, ONLY CRITICISM WE HAVE HEARD IS THAT HE MAY HAVE BEEN
TOO OPTIMISTIC REGARDING ECONOMY, AND THAT HE DISMISSED
GUERRILLA THREAT TOO EASILY THEREBY LOSING SOME CREDIBILITY.
ONE POSITIVE RESULT OF TRIP WE HAVE ALREADY NOTED IS SOME
ADDITONAL REALISM IN GOA PERCEPTION OF US INCLUDING PARTICULARLY
MORE AWARENESS OF SERIOUSNESS US ECONOMIC SITUATION. IN OUR VIEW,
THIS ONLY UNDERSCORES VALUE OF PERSONAL AND FACE-TO-FACE CONTACT
BETWEEN HIGH OFFICIAL OF OUR TWO GOVERNMENTS.

4. IN MANY WAYS, ISSUE OF FOREIGN INVESTMENT WAS PREDOMINANT
IN INTENSE PUBLICITY WHICH GIVEN HERE TO GOMEZ MORALES' VISIT.
WE BELIEVE IT'S SIGNIFICANT HE ACTIVELY CULTIMATED POTENTIAL
US INVESTORS THUS UNDERSCORING GOA INTEREST IN OBTAINING NEW
PRIVATE FOREIGN CAPITAL - ALBEIT ON TERMS THAT STILL MAY NOT BE
CONSIDERED VERY ATTRACTIVE BY MANY US COMPANIES. SEVERAL US FIRMS
WITH PROBLEMS HERE HAVE TOLD US THEY NOW HAVE MORE CONFIDENCE
THEY CAN OBTAIN HIGH LEVEL GOA HEARING AND ACTION AS RESULT
GOMEZ MORALES TRIP.

5. ONE SIDELIGHT ON FOREIGN INVESTMENT MAY BE WORTH NOTING.
SHORTLY BEFORE GOMEZ MORALES' DEPARTURE, SEVERAL ARTICLES
APPEARED IN LOCAL PRESS ACCUSING MINISTER OF TRAVELLING TO US TO
NEGOTIATE CHANGES IN FOREIGN INVESTMENT LAW WITH US COMPANIES.
SOURCE OF ARTICLES UNKNOWN, BUT THEY EVOKED STRONG AND HEATED
DENIAL BY GOMEZ MORALES. IN OUR VIEW, POLITICAL SENSITIVITIES
OVER THIS ISSUE MAY HAVE CAUSED GOMEZ MORALES TO UNDERTAKE
STRONGER DEFENSE OF CURRENT FOREIGN INVESTMENT LAW THAN PERHAPS
HE HAD INITIALLY PLANNED.
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6. REGARDING EXTERNAL CREDITS, GOMEZ MORALES SOUGHT TO AVOID
GIVING IMPRESSION THAT ARGENTINA IN WEAK POSITION AND THAT HE
WAS GOING TO US TO REQUEST FINANCIAL HELP. MINISTER'S SENSITIVITIES
ON THIS POINT QUITE EVIDENT WHEN, AT AIRPORT PRESS CONFERENCE
FOLLOWING RETURN, HE EMPHASIZED ARGENTINA'S FINANCIAL POSITION
STRONG AND HE HAD NOT REQUESTED ANY RE-NEGOTIATION OF EXTERNAL
DEBT. WE UNDERSTAND FROM SOURCES HERE THAT HE DID NOT, IN FACT,

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REQUEST NEW CREDITS FROM COMMERCIAL BANKS. (IF WASHINGTON HAS CONTRARY INFORMATION, WE WOULD APPRECIATE RECEIVING IT.) WE BELIEVE SOME ADDITIONAL EXTERNAL CREDITS WILL BE NECESSARY AT SOME POINT THIS YEAR TO REINFORCE BALANCE OF PAYMENTS AND PROVIDE CAPITAL FOR PUBLIC SECTOR INVESTMENT PLAN, HOWEVER, IT MAY BE WISE STRATEGY TO DISCUSS SUCH CREDITS IN QUITER ATMOSPHERE. ON THIS SUBJECT, WE UNDERSTAND CENTRAL BANK MISSION WILL SOON LEAVE FOR WEST EUROPE TO DISCUSS FINANCIAL ISSUES WITH EUROPEAN CENTRAL AND COMMERCIAL BANKS.

7. LOOKING AHEAD, WE BELIEVE GOMEZ MORALES' US VISIT HAS STRENGTHENED HIS DOMESTIC POLITICAL POSITION. HOWEVER, FUTURE STILL REMAINS UNCERTAIN. MINISTER IS PROUD, SENSITIVE, AND INDEPENDENT MAN WITH DEFINITE IDEAS REGARDING ECONOMIC POLICY. WITH LOPEZ REGA ZEALOUSLY GUARDING ACCESS TO PRESIDENT, OPPORTUNITY FOR CONFLICT IS EVER PRESENT. IN FACT, LOPEZ REGA'S AMBITIONS ARE THOUGHT TO INCLUDE GREATER CONTROL OVER ECONOMIC POLICY, THUS FAR QUITE EFFECTIVELY RESISTED BY GOMEZ MORALES. IN THIS SITUATION, WE CANNOT DISCOUNT POSSIBILITY THAT FAILURE TO ACHIEVE IMPLEMENTATION OF HIS ECONOMIC PROGRAM, EITHER AS A RESULT OF CLASH WITH LOPEZ REGA OR IN CONFLICT WITH ORGANIZED LABOR, COULD RESULT IN SIGNIFICANT UPHEAVAL IN ECONOMIC TEAM INCLUDING EVEN RESIGNATION OF MINISTER HIMSELF.
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